K 92-2255 11/4

04648
Q. 34790

RECD S.E.C.
MAY 1 2 1992
144

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

BEST COPY AVAILABLE

(Mark One)

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended March 31, 1992

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 2-33059

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

HAWAII	99-0049500
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)
1177 Bishop Street, Honolulu, Hawaii	96813
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

Registrant's telephone number, including area code 808-546-4511

(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR, IF CHANGED SINCE LAST REPORT)

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES X NO _

PROCESSED BY
11-11-V
MAY 18 1992

THE COMPANY HAD 8,400,000 SHARES OF $25 PAR VALUE COMMON STOCK OUTSTANDING AT APRIL 30, 1992.

Microfilmed by
Q-Data Corp. - St. Petersburg, FL
+ 30

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

	PAGE
Condensed Consolidated Statements of Income	1
Management's Discussion and Analysis of Financial Condition and Results of Operations	2
Condensed Consolidated Balance Sheets - Assets	4
Condensed Consolidated Balance Sheets - Liabilities and Shareholder's Equity	5
Condensed Consolidated Statements of Cash Flows	6
Notes to Condensed Consolidated Financial Statements	7

PART II. OTHER INFORMATION

Items 1 through 6	8
Signature	9

PART I. FINANCIAL INFORMATION

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended March 31,	
	1992	1991
	(Thousands of Dollars)	
OPERATING REVENUES	$ 151,035	$ 133,936
COSTS AND EXPENSES:		
Operating expenses	104,607	108,086
Merger restructuring costs	-	1,598
	104,607	109,684
Operating income	46,428	24,252
OTHER DEDUCTIONS:		
Interest expense	7,562	8,474
Other - net	73	134
INCOME BEFORE INCOME TAXES	38,793	15,644
INCOME TAXES	12,542	4,366
NET INCOME	$ 26,251	$ 11,278

Per share data is omitted since the Company's common stock is 100% owned by GTE Corporation (Parent Company).

The accompanying notes are an integral part of these financial statements.

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

Operating Results

Net income increased $15.0 million for the three months ended March 31, 1992 compared to the three months ended March 31, 1991. The increase is primarily the result of increased operating income due to growth in access lines and usage and higher directory advertising revenues, partially offset by an increase in income taxes.

Operating revenues increased 13% or $17.1 million for the three months ended March 31, 1992, compared to the same period in 1991.

Local network service revenues for the first quarter of 1992 were 6% or $2.8 million higher than the first quarter of 1991. The increase reflects a growth in access lines and increased usage of custom calling and other enhanced features.

Network access service revenues decreased 8% or $2.2 million for the three months ended March 31, 1992, compared to the same period in 1991. The decrease reflects a reduction of interstate switched access and common line rates, partially offset by an increase in minutes of use.

Long distance service revenues for the first quarter of 1992 were 8% or $2.2 million higher than the first quarter of 1991. The increase is primarily attributable to higher intrastate toll usage.

Equipment sales and services revenues decreased 17% or $4.0 million for the three months ended March 31, 1992, compared to the same period in 1991. The decrease is primarily due to lower sales of single-line and radio equipment and key telephone systems and lower revenues from two large overseas contracts. These decreases were partially offset by higher private branch exchange sales.

Other operating revenues increased $18.3 million in the first quarter of 1992 compared to the first quarter of 1991. The increase is primarily due to a change in the way the Company reports directory advertising revenue partially offset by higher provisioning for uncollectible accounts. During late 1991, the Company began recognizing the full year impact of directory advertising revenue on the directory publication date as opposed to the previous recognition of revenue as billed over a twelve-month period. This accounting change, while impacting the current quarter due to timing of directory publications, will not impact the annual recognition of directory revenues in 1992.

Operating expenses decreased by 3% or $3.5 million for the three months ended March 31, 1992, compared to the same period in 1991. The decrease is primarily the result of lower depreciation due to the completion of amortization on inside wire in the fourth quarter of 1991 and lower expenses for installations related to nonregulated contracts and multi-line systems. Partially offsetting these decreases was an increase in costs associated with data processing system enhancements.

The 1991 results included a reserve for restructuring costs of $1.6 million associated with the merger of GTE Corporation and Contel Corporation. This one-time charge consists primarily of the costs of integrating the operations of the merging companies. It is anticipated that the merger will result in increased efficiencies and significant cost savings in future years.

Interest expense decreased 11% or $1.0 million for the three months ended March 31, 1992. The decrease was primarily attributable to decreased short-term debt levels and lower interest rates.

Income taxes increased $8.2 million for the three months ended March 31, 1992, compared to the same period in 1991. The increase was primarily due to increased taxable income.

Capital Resources and Liquidity

Capital expenditures represent funds needed to construct new plant, modernize facilities and provide other assets to further enhance the Company's telephone service. Capital expenditures during the first three months of 1992 were $30 million compared to $35 million during the first three months of 1991. The Company's estimated construction budget for 1992 is $156 million.

The Company generally funds its construction program from operations and supplements funding with commercial paper or borrowings from its parent, GTE. In early 1991, the Company issued $17.7 million of REA first mortgage bonds. The proceeds of these issues were used predominantly to finance capital expenditures previously financed through commercial paper borrowings.

Total capitalization as of March 31, 1992 amounted to $901.9 million and is comprised of 56% equity and 44% debt. In comparison, total capitalization at December 31, 1991 of $897.5 million was comprised of 55% equity and 45% debt.

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992	December 31, 1991
	(Thousands of Dollars)	
CURRENT ASSETS:		
Cash	$ 11,333	$ 13,824
Receivables, less allowances of $2,337 and $693, respectively	146,260	132,251
Inventories	28,267	24,212
Prepayments and other	318	3,013
Total current assets	186,178	173,300
PROPERTY, PLANT AND EQUIPMENT:		
Original cost	1,598,164	1,571,602
Accumulated depreciation	(607,293)	(588,359)
Net property, plant and equipment	990,871	983,243
OTHER ASSETS	65,918	61,162
TOTAL ASSETS	$ 1,242,967	$ 1,217,705

The accompanying notes are an integral part of these financial statements.

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND SHAREHOLDER'S EQUITY

	March 31, 1992	December 31, 1991
	(Thousands of Dollars)	
CURRENT LIABILITIES:		
Short-term debt	$ 42,440	$ 47,430
Accounts payable	49,808	48,251
Accrued liabilities	60,236	39,940
Other	42,942	44,808
Total current liabilities	195,426	180,429
LONG-TERM DEBT	343,891	343,881
DEFERRED CREDITS, primarily deferred income taxes and investment tax credits	198,763	197,846
SHAREHOLDER'S EQUITY:		
Common stock	210,000	210,000
Other capital	41,702	41,815
Reinvested earnings	253,185	243,734
Total shareholder's equity	504,887	495,549
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 1,242,967	$ 1,217,705

The accompanying notes are an integral part of these financial statements.

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	1992	1991
	(Thousands of Dollars)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 26,251	$ 11,278
Adjustments to reconcile net income to net cash from operations:		
Depreciation and amortization	23,771	25,452
Deferred income taxes and investment tax credits	990	309
Provision for uncollectible accounts	3,300	708
Changes in current assets and current liabilities	(5,703)	2,113
Other - net	(5,164)	(1,612)
Net cash from operations	43,445	38,248
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(30,083)	(35,385)
Other - net	(1,054)	(2,111)
Net cash used in investing	(31,137)	(37,496)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt issued	19	17,739
Long-term debt retired	--	(792)
Dividends paid to shareholder	(9,828)	(11,200)
Decrease in short-term debt	(4,990)	(1,271)
Net cash from (used in) financing	(14,799)	4,476
Increase (decrease) in cash	(2,491)	5,228
Cash at beginning of period	13,824	4,447
Cash at end of period	$ 11,333	$ 9,675
Cash paid during the period for:		
Interest	$ 4,459	$ 5,580
Income taxes	2,540	--

The accompanying notes are an integral part of these financial statements.

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. However, in the opinion of management of the Company, the condensed consolidated financial statements include all adjustments (consisting primarily of normal recurring accruals) necessary to present fairly the financial information for such periods. These condensed consolidated financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's 1991 Annual Report to Shareholder incorporated by reference in the Annual Report on Form 10-K.

(2) Inventories are stated at the lower of cost or market value. Cost of inventories is determined by the average cost method of inventory valuation. Inventories included in the Condensed Consolidated Balance Sheets are as follows:

	March 31, 1992	December 31, 1991
	(Thousands of Dollars)	
Work in process on contracts	$ 10,130	$ 7,489
Materials and supplies	18,137	16,723
Total	$ 28,267	$ 24,212

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED AND SUBSIDIARIES

PART II. OTHER INFORMATION

Items 1 through 6 are not applicable for the quarter ended March 31, 1992.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GTE HAWAIIAN TELEPHONE COMPANY INCORPORATED
(Registrant)

Date: May 13, 1992

JOHN D. UTZINGER
Controller
(Chief Accounting Officer)